

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF COMMUNITY AFFAIRS**

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**NOTICE OF FUNDING AVAILABILITY (NOFA)  
Predevelopment Loan Program (PDLP)  
August 18, 2003**

The California Department of Housing and Community Development (HCD) is pleased to announce that it is accepting applications for funds from the Predevelopment Loan Program (PDLP). PDLP provides one to two year loans out of a revolving fund, **with the amount of funds available varying from month to month due to loans being made and repayments being returned to the fund. The amount available at the time of issue of this Notice of Funding Availability (NOFA) is approximately \$3 million (\$3,000,000).** This NOFA will be in effect from August 18, 2003 through June 30, 2004 (unless amended or replaced by the Department), and will expire on that date.

This NOFA will be governed by regulations that are in the final stages of being adopted by HCD. The proposed regulation text and associated rule-making documents are available on HCD's web site at [www.hcd.ca.gov](http://www.hcd.ca.gov). The adopted regulations are still subject to changes during the remaining portions of the rule-making process, including final review by the Office of Administrative Law. However, HCD expects that the final adopted regulations will be substantially the same as the proposed version dated February 18, 2003 that has been posted on its web site. Accordingly, applications should be completed pursuant to the requirements as stated in the proposed regulation text. Should there be any change to the regulations which would affect the application process, or alter information to be submitted by the applicant or reviewed by HCD, all interested parties will be notified of the change immediately.

**Authority and Purpose of Program**

The Program is subject to the requirements of Health and Safety Code Section 50530 et seq. ("Program Statutes"), as amended by AB 1359, and Cal. Code Regs., Title 25, Section 7000 et seq. ("Program Regulations"). Where the regulations differ from the amended statutes, the statutes will prevail. (The regulations will be amended to conform.)

In addition to these general statutes and regulations, affordable rents shall be limited by the provisions of Health and Safety Code section 50053 and Cal Code Regs., Title 25, Section 6918. Affordable housing cost shall be limited by Health and Safety Code section 50052.5 and Cal Code Regs., Title 25, Section 6920. Applicants are advised to fully familiarize themselves with the foregoing statutes and regulations.

The purpose of the Program is to provide short term predevelopment loans (one to two years) for required expenses, other than administration and construction, which are incurred by eligible

sponsors in the process of, or prior to, securing long-term financing for construction, preservation or rehabilitation of assisted housing, and which are recoverable once long term financing is obtained.

### **Eligible Applicants**

Local governmental agencies, non-profit corporations, cooperative housing corporations, and limited liability companies or limited partnerships where all of the general partners are nonprofit mutual or public benefit corporations are eligible to receive loans.

### **Eligible Projects**

PDLP loans shall be for “assisted housing for occupancy primarily by persons of low income.” (H&S 50531(b)) For a project to be eligible, at least 51 percent of the dwelling units must be available to, and affordable to, lower income households. “Affordable housing cost” for homeowners is defined in Health and Safety Code Section 50052.5. “Affordable rent” is defined in Health and Safety Code Section 50053. “Lower income” is defined by CCR Title 25, Section 6928. The Income Limits are available in hard copy on request, or from the Department’s website at <http://www.hcd.ca.gov/hpd/hrc/rep/state/inc2k1.pdf>.

### **Eligible Expenditures**

The purposes for which predevelopment loans may be made include, but are not limited to, the costs of, or the costs associated with, land purchase or options to buy land; options or deposits to buy or preserve existing government-assisted rental housing for the purpose of preserving the affordability of the units; closing costs; holding costs which can include, but is not limited to taxes, insurance, and interest; professional services such as architectural, engineering, or legal services; permit or application fees; and bonding, site preparation, related water or sewer development, or material expenses. A full list of eligible expenditures may be found at Cal Code Regs., Title 25, Section 7004(b).

### **Unauthorized Costs**

The loan may not be used for administrative or construction financing expenses. See Cal Code Regs., Title 25, Section 7005(e).

### **Special Conditions**

HCD has set a minimum funding target for rural areas based on the historical level of awards made under the Rural Predevelopment Loan Program (PDLP-R). This minimum target is \$1.6 million. If, by April 1, 2004, valid rural applications have not been received for at least this

amount, the unused portion will be made available to all applicants for the remainder of the fiscal year.

Applicants will be evaluated by the department for such factors as past achievements and relevant experience, prospects for obtaining construction financing or long-term financing for the proposed project, the need for and the proposed cost of the land or housing, and other factors listed in Cal Code Regs., Title 25, Section 7004(d).

Borrowers will be required to abide by all local, state or federal regulations that are applicable to the proposed housing developments. These may include but are not limited to: zoning ordinances; building codes; planning; historic preservation; environmental and relocation regulations; and Article XXXIV of the California Constitution. See Cal Code Regs., Title 25, Section 7008(d).

Construction activities will require the payment of prevailing wages pursuant to SB 975 (Chapter 938 of 2001). Construction includes work performed during the design and preconstruction phases of construction including, but not limited to, inspection and land surveying work. (See Labor Code section 1720 (a)(1).)

### **Limitations, Rates and Terms:**

The aggregate amount to be loaned for purposes other than for option or purchase of real property or site development shall not exceed \$100,000.

No more than \$800,000 may be committed to any single borrower at any one point in time during the term of this NOFA. Funds committed to a single borrower under prior NOFAs do not count towards the \$800,000 in total commitments allowed. In the case where the applicant is a limited partnership or limited liability company, total funding commitments to the general partner(s) will be counted when determining whether the \$800,000 cap has been reached.

Loans are made for a term of one to two years and bear simple interest at a rate of 3% per annum on the outstanding balance. Payment is deferred during the term of the loan. Borrowers must provide adequate security for loan funds advanced by the Department.

Additional requirements regarding use of funds; and rates and terms are contained in California Code of Regulations, Title 25, Sections 7005 and 7006, subject to statutory amendments made by AB 1359.

### **Application Process**

Those eligible sponsors seeking loans must submit a Predevelopment Loan Program application on the forms provided by the Program, which must not be modified. **The latest application has a revision date of August, 2003.** A copy of the application should also be e-mailed to the Program as outlined in the application cover letter. Loan applications may be obtained from and

returned to the Predevelopment Loan Program at the address listed below or downloaded from the website listed below.

Applications will be received on an over-the-counter basis. Applications will be reviewed for completeness, eligibility of applicant and compliance with this Notice of Funding Availability, Health and Safety Code Sections 50052.5, 50053, 50093.5 and 50530 et seq., and California Code Regs., Title 25, Sections 6918, 6920 and 7000 et seq. Should the program receive complete and eligible applications for more than the available amount of funds, priority will be given to applications for projects located in public transit corridors as defined in Health and Safety Code Section 50093.5, or projects used for the preservation and acquisition of existing government-assisted rental housing at risk of conversion to market-rate use.

Regarding applications from local governmental agencies, if the department receives multiple valid applications requesting more funds in total than are available from the Program, HCD shall give priority to projects located in cities or counties which have adopted housing elements that HCD has determined to be in substantial compliance with State Housing Element Law (Government Code Sections 65580, et seq.). Next priority for local governmental agencies shall be given to projects located in cities or counties with draft housing elements that HCD has determined to be in substantial compliance with Housing Element Law.

Applications having material internal inconsistencies or lacking essential information will be considered incomplete and will be held pending clarification or correction. Staff will provide ongoing technical assistance to those applicants who have submitted eligible, but incomplete applications.

HCD's Local Assistance Loan and Grant Committee comprised of public members and HCD officials as needed to establish a quorum, will consider completed loan applications. Meetings are usually held the last week of each month. To the extent feasible, eligible applications received not less than 20 working days prior to a Local Assistance Loan and Grant Committee meeting will be presented at that meeting for consideration of recommendations for funding. Because of staffing constraints, however, this cannot be guaranteed.

### **Right to Modify or Suspend**

HCD reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties.

**Please direct your requests for applications or more information about this announcement to:**

Department of Housing and Community Development  
Predevelopment Loan Program  
P.O. Box 952054, MS 390-5  
Sacramento, California 94252-2054

Telephone Margery Winter at (916) 327-8886  
(916) 445-0117 FAX

or e-mail to: [mwinter@hcd.ca.gov](mailto:mwinter@hcd.ca.gov) or [agilroy@hcd.ca.gov](mailto:agilroy@hcd.ca.gov)  
website: <http://www.hcd.ca.gov/ca/pdlp/>

Express Address:  
1800 Third Street, MS 390-5  
Sacramento, California 95814

Thank you for your interest in the Predevelopment Loan Program

Sincerely,

William J. Pavão  
Deputy Director  
Division of Community Affairs